

DELAWARE PUBLIC SERVICE COMMISSION
DOCKET 06-241
PUBLIC COMMENT

**Delaware Energy Office comments on PSC Docket No. 06-241
Delmarva Power Request for Proposals
August 31, 2006**

The Delaware Energy Office in DNREC is required to evaluate the Delmarva Power RFP required by House Bill 6 along with the Public Service Commission and to change or modify the RFP based on public input and expertise within DNREC and the PSC. The Energy Office has some concerns relating to how Delmarva Power has structured the RFP.

Concerns:

1. The Energy Office is concerned that Delmarva Power's RFP does not fully consider what was intended in the legislation, House Bill 6, relating to "Reductions in Environmental Impact". Criteria weighting for environmental concerns is not consistent with the legislation. The legislation listed this area as one of five factors that comprises the selection criteria and Delmarva's RFP dedicates only 7 out of 100 points to this important area. Environmental impacts on air emissions, land, wildlife, and water quality are extremely important and the RFP seems to not carry sufficient weight here. Environmental consequences of any new power generation need to be quantified and points should be awarded or subtracted based on a quantification of environmental benefits or costs. The current RFP does not do this. The term "environmental compatibility" is also confusing and should be changed to something else. "Environmental Impacts" as stated in the legislation could be substituted.
2. The RFP will be an indicator as to how the required Integrated Resource Plan (IRP) may be structured. The Energy Office is concerned that the content of the RFP has to be consistent with what will be expected in the IRP. Fuel diversity will be an important part of the IRP process and the RFP should reflect the same thing. The opportunity for renewables such as solar and wind must be reflected in the RFP. The Energy Office has great concern that the RFP does not give enough emphasis to renewable potential. If a major wind project is bid then Delmarva should give serious consideration to this bid. Some consideration should also be given to raising the lower limit on renewables above the 25 MW mark that is reflected in this RFP.
3. The 200 MW upper limit on the request for potential generation causes some concern for the Energy Office. If a proposal is submitted that provides for more than the 200 MW desired by Delmarva, does this mean that the proposal will not be considered. As an example, a proposal that combines coal gasification generation with wind generation that is sized at 500 MW may be have a more

positive environmental impact than other potential sources of generation. Serious consideration should be given to eliminating this artificial upper limit.

4. The Energy Office is concerned that the RFP does not sufficiently reflect the need or desire for potential long term contracts. If such a contract can be structured to be cost effective for a long term period then serious consideration should be given to securing such. If a long term contract involving renewables can be secured then significant energy price stability could be achieved when compared to potential price volatility in areas such as the natural gas market.
5. The area of energy price stability is the first factor listed in the legislation that requires this RFP. The Energy Office is concerned that the RFP does not give serious consideration to coming initiatives such as the Regional Greenhouse Gas Initiative (RGGI) and the impact that CO2 production will have on generation that may be secured under this RFP. Energy prices will certainly be impacted by RGGI and should be factored into the RFP.

This is a preliminary list of concerns that the Energy Office has addressed for the initial version of the RFP. The Energy Office will evaluate public input and will work with the Delaware PSC to affect desired changes or modifications to the Delmarva Power Request for Proposals.